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INSIGHTS

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In partnership with: Blue finance

Exploring environment and development challenges with the business community

Navigating ocean investments

How collaborative management can fill the marine conservation funding gap

Insights

1. Collaboratively managed marine protected areas (MPAs) offer impact investors a strong opportunity to support the sustainable management of marine resources, improve coastal livelihoods *and* generate financial returns.
2. Impact investment in MPAs can help fill the global gap in public finance: supporting progress on national and international conservation and sustainable development targets.
3. Defining tailored indicators and ways to measure them is vital to delivering the desired environmental and social impacts.
4. Governments engaged in collaborative management partnerships can improve their access to blended finance for marine conservation with no financial risk, while retaining core functions.

Economics; Natural resource management

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Sustainable Development Goals:
14 LIFE BELOW WATER
8 DECENT WORK AND ECONOMIC GROWTH
17 PARTNERSHIPS FOR THE GOALS

Threats to our ocean are climbing both public and political agendas. The BBC's Blue Planet and Netflix's Our Planet brought home how plastic pollution, climate change and other human activities are damaging marine life. The UN 'Decade of Ocean Science for Sustainable Development' begins in 2021; special ambassadors and envoys have been appointed to mobilise action. But for real impact, positive intentions must deliver concrete initiatives that protect the ocean and involve the coastal communities whose livelihoods depend on it. Marine protected areas (MPAs) are a promising example. With a rigorous science-based approach, effective management and the right investment, MPAs are one of our best tools for protecting marine biodiversity.

MPAs offer exciting possibilities. Beyond protecting biodiversity, potential benefits include supporting ocean ecosystems, enhanced resilience to climate change, and providing food and income for local communities by supporting sustainable fisheries and tourism. Several international bodies have adopted MPAs as a tool to achieve national biodiversity targets and multiple Sustainable Development Goals.

But insufficient funding for expansion and effective management of MPAs remains a challenge; one that particularly affects developing countries.[1] Worldwide, 65% of MPAs are estimated to have inadequate management budgets and 91% to have inadequate staff capacity.[2] Rapid expansion *without* the necessary investment could see an explosion of 'paper parks', which fail to meet social or ecological goals and cannot financially sustain themselves.

Impact investing: strong growth not yet reaching marine conservation

Impact investment is growing rapidly as private investors seek positive, measurable social and environmental gains alongside financial returns. The Global Impact Investing Network (GIIN) reported deals worth US$35 billion in 2017; up 17% from 2016. At the close of 2018, the industry was worth an estimated US$502 billion.[3] Investments concentrated on energy (15%), microfinance (13%) and other financial services (11%).[4] But conservation projects, particularly around marine ecosystems, are not attracting impact capital at this pace, largely due to a shortage of attractive opportunities with track records (see Box 1).[5]

But **collaborative management** — partnerships that can create a more 'bankable' structure around MPAs — offers a way forward.

Meeting the shortfalls with collaborative management

Some governments have addressed a lack funding for protected areas — both individual parks and national networks — by establishing 'collaborative management' arrangements with private partners (mainly non-profit enterprises, NGOs and community groups).[6] Entrepreneurs and community groups have also set up co-managed protected areas, gaining recognition and support from governments and local people.[7] A large body of evidence from marine and terrestrial protected areas shows that, when collaborative management is viable and appropriate, it can both redistribute the financial burden on states and attract the long-term economic and technical support needed for effective management.[6,8]

Collaborative management is inherently consultative, but possible structures vary: governance and management responsibilities might be shared ('co-management'); a partner might assist the state with aspects of management, without formal decision-making authority; or the state might completely delegate management. Compared to solely state-run MPAs, collaborative management tends to operate more participative decision making, helping to achieve better social and ecological outcomes.[2]

Non-public partners bring further advantages, including:[6]

- A business approach: establishing revenue streams around ecosystem services, most commonly nature tourism; greater capacity and expertise to develop, market and manage commercial operations and maximise revenues
- Greater freedom to retain and reinvest profits than government agencies, giving managers incentives for cost saving, accountability and improved management
- Greater ability to raise capital (including impact investments) to cover start-up costs, such as restoring the ecosystem, purchasing equipment and developing visitor facilities.

Collaborative management can meet impact investment objectives. Many MPAs managed this way are financially sustainable, generating most or all revenue through tourism and delivering positive social and ecological impacts. Examples include Indonesia's Misool Eco-Dive Resort, Tanzania's Chumbe Island Coral Park and Bonaire National Marine Park in the Caribbean (see Box 2).[5]

Box 1. Major challenges to impact investment in marine conservation[5]

- Too few investment-ready projects and organisations developing future opportunities
- Poor knowledge of opportunities and success stories, due to limited dialogue between impact investors, donors, overseas development agencies, NGOs, private sector and the marine conservation community
- Investments required are typically smaller than large institutional investors' minimum investment size, yet larger than many individual impact investors' desired allocation
- Inadequate baseline data around social and environmental benefits render positive investment impacts difficult to prove
- Off-putting operational and political risk, particularly in developing countries
- NGO hesitation to accept loans, as accustomed to grant funding
- Limited data on financial performance and expected returns; limited understanding of how marine resources can be organised to generate returns.

The approach attracting investors: meet Blue finance

Blue finance is a social enterprise working with a range of partners including the UN. It aims to design, finance and implement collaborative management partnerships for MPAs that can attract and scale up impact investment.

How it works: each project establishes 'a special purpose vehicle' — a coalition of NGOs, scientific institutions and local associations (such as fisher cooperatives) — to manage day-to-day operations with guidance from a multi-stakeholder co-management committee. The approach enables relevant government ministries to maintain core functions (such as approval of work and management plans, enforcement of regulations and fisheries management), involves local communities in management and draws in financial and scientific expertise. Box 3 offers an ambitious example.

Box 2. Bonaire National Marine Park

Declared in 1979, this MPA includes all the waters of Bonaire and Klein Bonaire. It covers 27,000 hectares of coral reefs, sea grass and mangroves.

In 1998, the Government of Bonaire signed a co-management agreement with the Stichting Nationale Parken Bonaire (STINAPA Bonaire) to manage the island's protected areas. STINAPA Bonaire is a non-governmental, non-profit foundation founded in 1988.

All visitors to the National Marine Park are required to pay an entrance fee, known as the 'nature fee'; this provides 90% of STINAPA Bonaire's funding for the park. In 2015, the park earned US$1.5 million in income from foreign and local visitors.

The success of the nature fee is attributed to STINAPA Bonaire's strong communications campaign and partnership with the tourism sector.

Collaborative management usually relies on public or private donations for development. But with this approach, impact investors provide most of the initial funding, with 'user fees' generating ultimate returns. Fees are context-specific; they can be collected by tour operators, at ports of entry or visitor centres, for activities, online and so on. All profits are reinvested into the MPA, which is expected to become financially self-sustaining. Investment takes place over a ten-year period, allowing time to establish a sustainable MPA and implement innovative approaches.

A fuller description of Blue finance's collaborative management approach to MPAs, including an illustrative figure, is available at: bit.ly/Bluefinance

A checklist for ocean-loving impact investors

Collaborative management demonstrates the growing potential for impact investment in marine conservation. While the opportunity offered by MPAs is relatively new, lessons are emerging on core ingredients for success:

A viable business model is necessary for financial returns. Nature tourism is currently the most viable revenue source for MPAs but relies on tourist volume. Grouping projects can improve risk-return profile; the special purpose vehicle helps isolate risk by separating project-related liabilities, tax and regulations from core business. An environmental and social action plan that meets international risk management standards (such as the International Finance Corporation's Performance Standards) is also key to delivering development goals.

Box 3. Investment impacts in the Caribbean and beyond

Arrecifes del Sureste was designated an MPA by the Dominican Republic in 2009, but it has never been active. The area, covering 8,000 km^2 of coastal ecosystems, could enhance livelihoods and climate resilience for approximately 16,000 households.

In 2018 the government signed a renewable 10-year agreement with a non-profit 'special purpose vehicle' to co-manage the MPA. Blue finance secured a US$2.5 million bond from impact investors with an eight-year term, for equipment and staff. This covered about 70% of initial funding, grants cover the rest. Principal repayment will start in 2020 if specified environmental and economic objectives are met.

The special purpose entity will charge park users between US$3–10, depending on chosen activities. Annually, with around 260,000 visitors, this should generate revenues of US$1.5 million. Annual operating costs are expected to total US$1.3 million, covering: maintenance, management, enforcement, ecosystem improvement, support for tourism operations, and community engagement and livelihood enhancement.

Blue finance plans to replicate this project across 20 MPAs in developing countries by 2030. Seven protected areas in the Caribbean and South East Asia are nearly investment ready. As evidence on the benefits of collaborative management builds, perceptions of risk will diminish.

This approach — tailored to each country and investment level — can work wherever there are MPAs, tourists, political will and local capacity. The planned expansion should see use of grants for initial funding decrease, eventually transitioning to concessional private finance. By grouping MPA projects, Blue finance aims to attract investors with greater capital, bringing meaningful scale and transformative investments to marine conservation.

A multi-stakeholder approach is central to successful project development and management, including government, an engaged and experienced NGO, and partners with skills in social entrepreneurship, financial planning and/or marine conservation. Intermediaries like Blue finance are essential to bridge the gap between investors and marine conservation. Community involvement in management, monitoring and awareness campaigns can generate buy-in that weathers changes in government and supports project durability.[7]

Appropriate performance indicators must be identified with stakeholder input. Standard metrics (such as GIIN's Impact Reporting and Investing Standards) will not capture an MPA's key social and environmental impacts.[5] For example, indicators of ecological impacts in a coral reef ecosystem may include enhanced live coral cover and water quality. Indicators of the socioeconomic impacts of an MPA might include local employment in tourism businesses and improved fishery productivity.

To continue the conversation, contact Laura Kelly, director of Shaping Sustainable Markets, IIED (laura.kelly@iied.org) or Blue finance at Info@bluefinance.org

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IIED is an international policy and action research organisation delivering solutions to sustainable development challenges. Working with partners across the globe, we link local priorities to global challenges.

Blue finance is a specialist international NGO with expertise and a track record in structuring and establishing solutions for management and sustainable financing of Marine Protected Areas (MPAs).

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